

**BEFORE THE
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

**APPLICATION OF PALMETTO
WASTEWATER RECLAMATION, INC.
FOR AN ADJUSTMENT OF ITS RATES
AND CHARGES**

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Docket No. 2021-153-S

**SCHEDULES ACCOMPANYING THE
SURREBUTTAL TESTIMONY**

OF

LAFAYETTE K. MORGAN, JR.

**ON BEHALF OF THE
SC DEPARTMENT OF CONSUMER AFFAIRS**

October 28, 2021

PALMETTO WASTEWATER RECLAMATION, INC.

Summary of Operating Income
For the Test Year Ended December 31, 2020

Line No.	Description	Company Amounts at Present Rates	DCA Adjustments	Amounts After DCA Adjustments	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	<u>Utility Operating Revenues</u>					
2	Total Tariff Sales	\$ 3,637,047	\$ 16,836	\$ 3,653,883	\$ -	\$ 3,653,883
3	Other Wastewater Revenue	23,686	17,480	41,166	-	41,166
4	Revenue Increase/(Decrease)	-	-	-	(1,129)	(1,129)
5	Total Operating Revenues	<u>\$ 3,660,733</u>	<u>\$ 34,317</u>	<u>\$ 3,695,050</u>	<u>\$ (1,129)</u>	<u>\$ 3,693,921</u>
6						
7	<u>Utility Operating Expenses</u>					
8	Operations and Maintenance Expense	\$ 1,673,342	\$ (40,007)	\$ 1,633,335	\$ (11)	\$ 1,633,324
9	Depreciation Expense	692,206	-	692,206	-	692,206
10	Amortization Expense	(12,446)	-	(12,446)	-	(12,446)
11	Utility Regulatory Assessment Fees	25,947	-	25,947	(8)	25,939
12	Property Taxes	615,282	-	615,282	-	615,282
13	Other Taxes and Licenses	-	-	-	(3)	(3)
14	Federal Income Taxes	98,040	(12,851)	85,189	(221)	84,968
15	State Income Taxes	24,572	1,761	26,333	(55)	26,278
16	Deferred Federal Income Taxes	-	-	-	-	-
17	Deferred State Income Taxes	-	-	-	-	-
18	Total Utility Operating Expenses	<u>3,116,943</u>	<u>(51,097)</u>	<u>3,065,846</u>	<u>(298)</u>	<u>3,065,548</u>
19						
20	Utility Operating Income	<u>\$ 543,790</u>	<u>\$ 85,414</u>	<u>\$ 629,204</u>	<u>\$ (831)</u>	<u>\$ 628,373</u>
21						
22	Rate Base	<u>\$ 11,518,248</u>		<u>\$ 11,508,671</u>		<u>\$ 11,508,671</u>
23						
24	Return On Rate Base	<u>4.72%</u>		<u>5.47%</u>		<u>5.46%</u>

PALMETTO WASTEWATER RECLAMATION, INC.Summary of Revenue Increase at DCA Rate of Return
For the Test Year Ended December 31, 2020

Line No.	Description	Amount	Source
1	Adjusted Rate Base	\$ 11,508,671	Schedule LKM-2
2	Required Rate of Return	5.46%	Per DCA Witness Rothschild
3			
4	Net Operating Income Required	\$ 628,373	
5	Net Operating Income at Present Rates	629,204	Schedule LKM-1, Page 1
6			
7	Income Deficiency/(Surplus)	\$ (831)	
8	Revenue Multiplier	1.359760	
9			
10	Required Change in Company Revenue	\$ (1,129)	
11			
12	Proposed Revenue Change	\$ (1,129)	
13	Less: Uncollectibles 1.00%	(11)	
14	Revenues After Uncollectibles	(1,118)	
15	Less: PSC Assessment 0.708793%	(8)	
16	Less: Corporate License Fee 0.30%	(3)	
17	Income Before State Taxes	\$ (1,107)	
18	Less: State Income Tax 5.00%	(55)	
19			
20	Income Before Federal Taxes	\$ (1,052)	
21	Federal Income Tax 21.00%	(221)	
22			
23	Net Income Surplus/(Deficiency)	\$ (831)	

PALMETTO WASTEWATER RECLAMATION, INC.

Summary of Rate Base
For the Test Year Ended December 31, 2020

Line No.	Description	Amount per Company Filing	DCA Adjustments	Amount After DCA Adjustments
1	Utility Plant	\$ 17,170,314	\$ -	\$ 17,170,314
3	Accumulated Depreciation	(5,052,668)	-	(5,052,668)
4	Net Plant in Service	\$ 12,117,646	\$ -	\$ 12,117,646
5	Accumulated Deferred Income Taxes	(30,270)	-	(30,270)
6	Excess Deferred Income Taxes	(438,319)	-	(438,319)
7	Contribution in Aid of Construction	(350,991)	-	(350,991)
8	Prepayments	11,014	-	11,014
9	Materials & Supplies	-	-	-
10	Cash Working Capital	209,168	(9,577)	199,591
11				
12	Total Rate Base	\$ 11,518,248	\$ (9,577)	\$ 11,508,671

PALMETTO WASTEWATER RECLAMATION, INC.

Summary of Adjustments to Income Before Income Taxes
For the Test Year Ended December 31, 2020

Line No.	Description	Amount	Source
1	Operating Income per Company	<u>\$ 543,790</u>	Schedule LKM - 1
2			
3	<u>DCA Adjustments:</u>		
4	Annualize Billed Revenue	\$ 12,635	Schedule LKM - 4
5	Annualize Other Wastewater Revenue	13,119	Schedule LKM - 5
6	Normalize Rate Case Expenses	30,026	Schedule LKM - 6
7	Remove Additional and Non-Recurring Allocated	-	Schedule LKM - 7
8	Normalize Employee Benefits Expense	-	Schedule LKM - 8
9	Remove Allocated Corporate Depreciation Expense	-	Schedule LKM - 9
10	Amortization of EDIT	19,880	Schedule LKM - 13
11	Interest Synchronization	<u>9,753</u>	Schedule LKM - 11
12			
13	Total DCA Adjustments	<u>\$ 85,414</u>	
14			
15	Total DCA Adjustments	<u><u>\$ 629,204</u></u>	

PALMETTO WASTEWATER RECLAMATION, INC.

Summary of Adjustments to Income Before Income Taxes
For the Test Year Ended December 31, 2020

Line No.	Description	Operating Revenues	O&M Expenses	Depreciation Expense	Amortization Expense	Regulatory Assessments	Property Taxes	Other Taxes and Licenses	State Income Taxes	Federal Income Taxes	Net Operating Income
1	Amount per Company	\$ 3,660,733	\$ 1,673,342	\$ 692,206	\$ (12,446)	\$ 25,947	\$ 615,282	\$ -	\$ 24,572	\$ 98,040	\$ 543,790
2											
3	<u>DCA Adjustments:</u>										
4	Annualize Billed Revenue	\$ 16,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 842	\$ 3,359	\$ 12,635
5	Annualize Other Wastewater Revenue	17,480	-	-	-	-	-	-	874	3,487	13,119
6	Normalize Rate Case Expenses	-	(40,007)	-	-	-	-	-	2,000	7,981	30,026
7	Remove Additional and Non-Recurring Allocated	-	-	-	-	-	-	-	-	-	-
8	Normalize Employee Benefits Expense	-	-	-	-	-	-	-	-	-	-
9	Remove Allocated Corporate Depreciation Expense	-	-	-	-	-	-	-	-	-	-
10	Amortization of EDIT	-	-	-	-	-	-	-	-	(19,880)	19,880
11	Interest Synchronization	-	-	-	-	-	-	-	(1,955)	(7,798)	9,753
12											
13	Total DCA Adjustments	\$ 34,317	\$ (40,007)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,761	\$ (12,851)	\$ 85,414
14											
15	Total Adjusted Net Operating Income	\$ 3,695,050	\$ 1,633,335	\$ 692,206	\$ (12,446)	\$ 25,947	\$ 615,282	\$ -	\$ 26,333	\$ 85,189	\$ 629,204

PALMETTO WASTEWATER RECLAMATION, INC.

Adjustment to Annualize Billed Revenue
For the Test Year Ended December 31, 2020

Line No.	Revenue Classification	ERCs at 04/30/21 ^{1/}	Annualized	Rate ^{2/}	Total
1	Residential	\$ 1,319	\$ 15,828	\$ 37.92	\$ 600,198
2	Mobile Home	52	624	28.30	17,659
3	Commercial	2,005	24,060	37.92	912,355
4	Multi-Family	<u>4,667</u>	<u>56,004</u>	37.92	<u>2,123,672</u>
5	Subtotal	8,043	96,516		3,653,884
6	Annualized Revenue per Company				<u>3,637,047</u>
7	Adjustment to Billed Revenue				<u>\$ 16,836</u>

Notes:

^{1/} Response to ORS 3-6

^{2/} Company Application Exhibit B, Schedule C.

PALMETTO WASTEWATER RECLAMATION, INC.

Adjustment to Annualize Other Wastewater Revenue
For the Test Year Ended December 31, 2020

Line No.	Description	Amount
1	2018 Other Wastewater Revenues	\$ 33,474 ^{1/}
2	2019 Other Wastewater Revenues	<u>48,859</u> ^{1/}
3		
4	2018/2019 Average Other Wastewater Revenues	41,166
5		
6	Test Year Other Waste Water Per Company	<u>23,686</u> ^{2/}
7		
8	Adjustment to O&M Expenses	<u><u>\$ 17,480</u></u>

Note:

^{1/} Trial Balances provided in response to ORS AIR 1-2.

^{2/} Company Exhibit B, Schedule B, Line 13.

PALMETTO WASTEWATER RECLAMATION, INC.

Adjustment to Normalize Rate Case Expenses
For the Test Year Ended December 31, 2020

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Unamortized Rate Case Expenses	\$ -
2	Estimated Current Rate Case Expenses	<u>160,000</u> ^{1/}
3	Total	\$ 160,000
4	Amortization Period (Years)	<u>3</u>
5		
6	Annual Rate Expense Amortization	\$ 53,333
7	Rate Case Expense per Company	<u>93,340</u>
8	Adjustment to Rate Case Expense	<u><u>\$ (40,007)</u></u>

Notes:

^{1/} Company Filing Exhibit B, Schedule B., Adjusting Entry 8.

PALMETTO WASTEWATER RECLAMATION, INC.

Adjustment to Remove Additional and Non-Recurring Allocated
Shared Corporate Expenses
For the Test Year Ended December 31, 2020

Line No.	Description	Amount
1	PWR Portion of Additional SWWC Shared Overhead	\$ - ^{1/}
2	Stay Bonus Ni OPS	\$ - ^{2/}
3	Stay Bonus Ni OPS Employer Retirement Contribution Match	- ^{2/}
4	Sep 15 NQ 401k Employer Contribution Match	- ^{2/}
5	Stay Bonus Ni OPS Employer Non-Qualified Ret Contribution Match	- ^{2/}
6	Total Non-Recurring Bonus	\$ -
7	Allocation Factor	16.79% ^{2/}
8	PWR Portion of Non-Recurring Bonus	-
9	Adjustment to O&M Expenses	\$ -

Notes:

^{1/} Company Filing Exhibit B, Schedule B., Adjusting Entry 10.

^{2/} Response to ORS AIR 1-3 Att G - PWR Shared Costs Detail and Allocation

PALMETTO WASTEWATER RECLAMATION, INC.

Adjustment to Normalize Employee Benefits Expense
For the Test Year Ended December 31, 2020

Line	Description	2018	2019	2020
1	Employee Benefits - Healthcare	\$ -	\$ -	\$ -
2	Employee Benefits - Disability	-	-	-
3	Employee Benefits - Dental	-	-	-
4	Employee Benefits - Life/AD&D	-	-	-
5	Employee Benefits - Employer Retirement Contr Match	-	-	-
6	FSA and HSA Fees	-	-	-
7	Vision	-	-	-
8	Employer Non-Qualified Ret Contribution Match	-	-	-
9	Employee Benefits - Critical Illness	-	-	-
10	Employee Benefits - Group Accident	-	-	-
11	Employee Benefits - Gym Reimbursements	-	-	-
12	Totals	-	-	-
13	3-Year Average 2018 through 2020			-
14	Test Year Employee Benefits Expense			-
15	Adjustment to Employee Benefits			\$ -

Data Source: Company response to DCA 3-33.

PALMETTO WASTEWATER RECLAMATION, INC.

Adjustment to Remove Allocated Corporate Depreciation Expense
For the Test Year Ended December 31, 2020

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Allocated Corporate Depreciation Expense	\$ - ^{1/}
2	Adjustment to Depreciation Expense	<u>\$ -</u>

Notes:

^{1/} Response to ORS AIR 3-1 Att e - Depreciation Expense

PALMETTO WASTEWATER RECLAMATION, INC.

Adjustment to Cash Working Capital
For the Test Year Ended December 31, 2020

Line No.	Description	Amount
1	Pro Forma Operating Expenses per Company	\$ 1,673,342 ^{1/}
2	Less: Uncollectibles	<u>36,607</u>
3	Operating Expenses for Cash Working Capital	\$ 1,636,735
4	<u>DCA Adjustments to Operating Expenses</u>	
5	Rate Case Expense	(40,007) ^{2/}
6	Allocation of Corporate Shared Costs	- ^{2/}
7	Employee Benefits	<u>-</u> ^{2/}
8	Adjusted Pro Forma Operating Expenses	1,596,728
9	Divisor	<u>8</u>
10	DCA Cash Working Capital Requirement	199,591
11	Company Cash Working Capital Requirement	<u>209,168</u> ^{3/}
12	Adjustment to Cash Working Capital Requirement	<u><u>\$ (9,577)</u></u>

Note:

^{1/} Company Exhibit B, Schedule B, Line 4.

^{2/} Schedule LKM-3, Page 2.

^{3/} Company Exhibit B, Schedule F, Line 9.

PALMETTO WASTEWATER RECLAMATION, INC.

Interest Synchronization Adjustment
For the Test Year Ended December 31, 2020

Line No.	Description	Amount
1	Company Rate Base	\$ 11,508,671 ^{1/}
2	DCA Weighted Cost of Debt	1.86%
3		
4	Adjusted Interest Deduction	\$ 214,061
5	Interest Deduction Per Company	174,971 ^{2/}
6		
7	Adjustment to Synchronize Interest Expense	\$ 39,090
8	Effective State Income Tax Rate	5.00%
9		
10	Adjustment to State Income Taxes	\$ (1,955)
11		
12	Federal Income Tax Base	\$ 37,135
13	Federal Income Tax Rate	21.00%
14		
15	Adjustment to Federal Income Taxes	\$ (7,798)

Notes:

^{1/} Schedule LKM-2, Page 1.

^{2/} Company Exhibit B, Schedule G.

PALMETTO WASTEWATER RECLAMATION, INC.

Calculation of Rate of Return
For the Test Year Ended December 31, 2020

Line No.	Description	Capitalization Ratio ^{1/}	Cost Rate ^{1/}	Weighted Cost
1	Long-Term Debt	50.74%	3.67%	1.86%
2	Short-Term Debt	0.00%	0.00%	0.00%
3	Total Debt	50.74%		1.86%
4	Preferred Stock	0.00%	0.00%	0.00%
5	Common Equity	49.26%	7.31%	3.60%
6	Total	100.00%		5.46%

Notes:

1/ DCA Witness Rothschild.

PALMETTO WASTEWATER RECLAMATION, INC.

Excess Deferred Income Tax Amortization
For the Test Year Ended December 31, 2020

Line No.	Description	Amount
1	Company Rate Base	\$ 19,880 ^{1/}
2	Adjustment to State Income Taxes	<u>\$ (19,880)</u>

Notes:

^{1/} Company Exhibit B, Schedule B.